

furnished by the Bank of Java. The bank was founded in 1828, with a capital of 6,000,000 florins (\$2,400,000), but the chief interest of its history to the Western World is the success with which it has maintained the gold standard in Java since the suspension of free coinage in Holland in 1875. The situation in Java has been in many respects the same as in the mother country, but the experiment is one which might have seemed more precarious because of the situation of Java in the midst of silver standard countries and the almost entire absence of gold in the reserves of the bank. Silver was for many years the legal standard of Java, but the government of Dutch India continued for a considerable time, beginning in 1818, to make the bulk of its payments in copper. This resulted in driving silver from circulation and led to the introduction of paper currency to represent the copper coins.¹ In 1875 the Bank of Java was empowered to regulate its operations according to the principles on which the Bank of Holland was working. A bill was brought forward and passed in 1877, by the Dutch Ministry, for the regulation of the currency of their Indian possessions. The principal features of this bill were the establishment of the double standard on the same basis as in Holland,—the formal suspension of the further coinage of silver.

The parity of the notes of the Bank of Java and of the silver coins is maintained through the foreign exchanges. All commercial operations with Holland or other countries in Europe are settled by bills drawn on Amsterdam or London, and the exchange has shown an extreme fluctuation never greater than five and a quarter per cent, on Amsterdam and six per cent, on London. Since 1885 ^{^e} fluctuation has not been greater than three per cent. The bank rate has varied from nine per cent, for a time in 1876 to as low a rate as four per cent, in 1878 and in 1886. The mean rate in 1906 was 4.5 per cent. Settlements for merchandise balances between Holland and Java are made by shipments of silver. These shipments are taken up at home by the Bank of the Netherlands against bank-notes or credits at

- London *Bankers' Magazine*, March, 1893, I/V., 383-91.